

**PUBLIC JOINT STOCK COMPANY  
“ACRON”**

**Consolidated Condensed Interim  
Financial Information**

**For the six months ended  
30 June 2016**



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	Note	30 June 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	87,581	84,680
Exploration and evaluation licences and expenditure	11	32,101	32,232
Leasehold land		711	825
Goodwill		1,267	1,267
Available-for-sale investments	12	21,838	148
Investment in equity accounted investees	13	-	31,263
Long-term loans receivable		47	47
Deferred tax assets		308	1,396
Other non-current assets		2,033	2,104
<b>Total non-current assets</b>		<b>145,886</b>	<b>153,962</b>
<b>Current assets</b>			
Inventories	9	15,440	17,800
Short-term loans receivable		-	5
Accounts receivable	8	11,532	9,443
Income tax prepayment		566	1,505
Available-for-sale investments	12	-	4,808
Trading investments		142	172
Short-term derivative financial instruments	14	7,092	7,816
Cash and cash equivalents	7	23,225	30,421
Other current assets		749	842
<b>Total current assets</b>		<b>58,746</b>	<b>72,812</b>
<b>TOTAL ASSETS</b>		<b>204,632</b>	<b>226,774</b>
<b>EQUITY</b>			
Share capital	17	3,046	3,046
Treasury shares		(4)	(3)
Retained earnings		62,015	60,523
Revaluation reserve		(3,160)	3,752
Other reserves		(1,650)	(1,209)
Cumulative currency translation difference		14,395	18,877
<b>Share capital and reserves attributable to the Company's owners</b>		<b>74,642</b>	<b>84,986</b>
Non-controlling interest		19,750	24,812
<b>TOTAL EQUITY</b>		<b>94,392</b>	<b>109,798</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	16	42,460	68,611
Long-term derivative financial instruments	14	8,867	9,282
Deferred tax liabilities		3,994	5,196
Other long-term liabilities		1,080	1,080
<b>Total non-current liabilities</b>		<b>56,401</b>	<b>84,169</b>
<b>Current liabilities</b>			
Accounts payable	15	8,037	8,435
Notes payable		2,052	2,138
Income tax payable		63	-
Other taxes payable		700	1,422
Short-term borrowings	16	40,242	12,995
Advances received		1,459	6,254
Other current liabilities		1,286	1,563
<b>Total current liabilities</b>		<b>53,839</b>	<b>32,807</b>
<b>TOTAL LIABILITIES</b>		<b>110,240</b>	<b>116,976</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>204,632</b>	<b>226,774</b>

Approved for issue and signed on behalf of the Board of Directors on 29 August 2016.

\_\_\_\_\_  
V.Y. Kunitskiy  
President

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A.V. Milenkov  
Finance Director

**Public Joint Stock Company "Acron"**  
**Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive**  
**Income for the six months ended 30 June 2016 (unaudited)**



(in millions of Russian Roubles, except for per share amounts)

	Note	Six months ended		Three months ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Revenue	5	51,199	52,077	23,602	24,424
Cost of sales		(25,888)	(25,705)	(12,491)	(13,281)
<b>Gross profit</b>		<b>25,311</b>	<b>26,372</b>	<b>11,111</b>	<b>11,143</b>
Transportation expenses		(6,076)	(5,286)	(2,815)	(2,611)
Selling, general and administrative expenses		(4,464)	(4,147)	(2,165)	(1,994)
Other operating expenses, net	19	(2,737)	(1,056)	(921)	(1,598)
<b>Operating profit</b>		<b>12,034</b>	<b>15,883</b>	<b>5,210</b>	<b>4,940</b>
Finance income, net	18	4,722	1,478	1,335	3,298
Interest expense		(2,266)	(1,732)	(1,087)	(1,202)
Gain/(loss) on disposal of investment		5,391	(120)	(70)	(97)
Loss on derivatives, net		(308)	(2,267)	(504)	(916)
Share of profit of equity accounted investees		1,544	1,412	374	397
Result from suspension of use of equity investee method		(3,616)	-	(3,616)	-
<b>Profit before taxation</b>		<b>17,501</b>	<b>14,654</b>	<b>1,642</b>	<b>6,420</b>
Income tax expense	21	(4,664)	(2,591)	(1,462)	(1,424)
<b>Profit for the period</b>		<b>12,837</b>	<b>12,063</b>	<b>180</b>	<b>4,996</b>
<b>Other comprehensive (loss)/income on items that will not be reclassified to profit or loss:</b>					
Share of other comprehensive (loss)/income of equity-accounted investees		(150)	159	(50)	159
<b>Other comprehensive (loss)/income on items that are or may be reclassified subsequently to profit or loss:</b>					
Available-for-sale investments:					
- (Losses)/gains arising during the period		(3,160)	626	(3,160)	(101)
- Reclassification of revaluation gain on disposal to profit or loss		(4,690)	-	-	-
- Income tax recorded directly in other comprehensive income		938	(125)	-	20
Currency translation differences		(4,582)	(3,163)	(3,056)	(1,644)
<b>Other comprehensive loss for the period</b>		<b>(11,644)</b>	<b>(2,503)</b>	<b>(6,266)</b>	<b>(1,566)</b>
<b>Total comprehensive income for the period</b>		<b>1,193</b>	<b>9,560</b>	<b>(6,086)</b>	<b>3,430</b>
<b>Profit is attributable to:</b>					
Owners of the Company		13,555	11,841	369	5,065
Non-controlling interest		(718)	222	(189)	(69)
<b>Profit for the period</b>		<b>12,837</b>	<b>12,063</b>	<b>180</b>	<b>4,996</b>
<b>Total comprehensive income is attributable to:</b>					
Owners of the Company		2,161	9,482	(5,936)	3,662
Non-controlling interest		(968)	78	(400)	(232)
<b>Total comprehensive income for the period</b>		<b>1,193</b>	<b>9,560</b>	<b>(6,336)</b>	<b>3,430</b>
<b>Earnings per share</b>					
Basic (expressed in RUB)	20	340.21	295.21	23.25	128.04
Diluted (expressed in RUB)	20	340.21	295.21	23.25	128.04

The accompanying notes are an integral part of this consolidated condensed interim financial information.

**Public Joint Stock Company “Acron”**  
**Consolidated Condensed Interim Statement of Cash Flows for the six months**  
**ended 30 June 2016 (unaudited)**  
*(in millions of Russian Roubles)*



		Six months ended	
	Note	30 June 2016	30 June 2015
<b>Cash flows from operating activities</b>			
Profit before taxation		17,501	14,654
<i>Adjustments for:</i>			
Depreciation and amortisation		2,416	2,209
(Reversal of)/provision for impairment of accounts receivable		(15)	21
Provision for inventory obsolescence		6	-
Loss on disposal of property, plant and equipment		211	56
Share of profit of equity-accounted investees		(1,544)	(1,412)
Interest expense		2,266	1,732
Interest income		(153)	(478)
Loss on derivatives, net		308	2,267
Dividend income		(250)	-
(Gain)/loss on disposal of investment		(5,391)	120
Result from suspension of use of equity investee method		3,616	-
Unrealised foreign exchange effect on non-operating balances		(3,864)	(882)
<b>Operating cash flows before working capital changes</b>		<b>15,107</b>	<b>18,287</b>
Increase in gross trade receivables		(539)	(921)
Decrease/(increase) in advances to suppliers		321	(106)
Increase in other receivables		(867)	(449)
Decrease/(increase) in inventories		2,494	(1,372)
Increase in trade payables		(649)	(276)
(Decrease)/ increase in other payables		(1,698)	204
Decrease in advances from customers		(4,795)	(595)
Decrease/(increase) in other current assets		93	(449)
(Decrease)/increase in other current liabilities		(277)	21
<b>Cash generated from operations</b>		<b>9,190</b>	<b>14,344</b>
Income taxes paid		(3,214)	(950)
Interest paid		(2,187)	(2,367)
<b>Net cash generated from operating activities</b>		<b>3,789</b>	<b>11,027</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(6,703)	(6,160)
Interest received		353	430
Purchase of available-for-sale investments		(694)	-
Proceeds from sale of available-for-sale investments		6,575	-
Purchase of trading investments		-	(70)
Proceeds from sale of trading investments		3	51
Proceeds from sale of equity-accounted investees		26	-
Net change in other non-current assets and liabilities		71	95
<b>Net cash used in investing activities</b>		<b>(369)</b>	<b>(5,654)</b>
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interest		(8,952)	(111)
Acquisition of treasury shares		(442)	(850)
Dividend paid to shareholders		(7,187)	(694)
Dividend paid to non-controlling shareholders		(72)	-
Proceeds from borrowings	16	13,897	43,394
Repayment of borrowings	16	(4,746)	(39,073)
<b>Net cash (used in)/generated from financing activities</b>		<b>(7,502)</b>	<b>2,666</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,082)</b>	<b>8,039</b>
Effect of exchange rate changes on cash and cash		(3,114)	(552)
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>30,421</b>	<b>24,773</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>23,225</b>	<b>32,260</b>

The accompanying notes are an integral part of this consolidated condensed interim financial information.

**Public Joint Stock Company “Acron”**  
**Consolidated Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2016 (unaudited)**  
*(in millions of Russian Roubles)*



	Capital and reserves attributable to the Company's owners					Cumulative currency translation difference	Non- controlling interest	Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves			
<b>Balance at 1 January 2015</b>	<b>3,046</b>	<b>(1)</b>	<b>51,816</b>	<b>2,686</b>	<b>(446)</b>	<b>13,411</b>	<b>23,261</b>	<b>93,773</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	11,841	-	-	-	222	12,063
<i>Other comprehensive income</i>								
Fair value gain on available-for-sale investments	-	-	-	626	-	-	-	626
Currency translation differences	-	-	-	-	-	(2,860)	(144)	(3,004)
Income tax recorded in other comprehensive income	-	-	-	(125)	-	-	-	(125)
<b>Total other comprehensive income</b>	-	-	-	<b>501</b>	-	<b>(2,860)</b>	<b>(144)</b>	<b>(2,503)</b>
<b>Total comprehensive income</b>	-	-	<b>11,841</b>	<b>501</b>	-	<b>(2,860)</b>	<b>78</b>	<b>9,560</b>
Acquisition of non-controlling interest	-	-	405	-	-	-	(321)	84
Dividend declared	-	-	(5,566)	-	-	-	(47)	(5,613)
Acquisition of treasury shares	-	(2)	-	-	(848)	-	-	(850)
<b>Balance at 30 June 2015</b>	<b>3,046</b>	<b>(3)</b>	<b>58,496</b>	<b>3,187</b>	<b>(1,294)</b>	<b>10,551</b>	<b>22,971</b>	<b>96,954</b>
<b>Balance at 1 January 2016</b>	<b>3,046</b>	<b>(3)</b>	<b>60,523</b>	<b>3,752</b>	<b>(1,209)</b>	<b>18,877</b>	<b>24,812</b>	<b>109,798</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	13,555	-	-	-	(718)	12,837
<i>Other comprehensive income</i>								
Fair value loss on available-for-sale investments	-	-	-	(3,160)	-	-	-	(3,160)
Disposal of fair value revaluation gain on available-for-sale investments	-	-	-	(4,690)	-	-	-	(4,690)
Currency translation differences	-	-	-	-	-	(4,482)	(250)	(4,732)
Income tax recorded in other comprehensive income	-	-	-	938	-	-	-	938
<b>Total other comprehensive income</b>	-	-	-	<b>(6,912)</b>	-	<b>(4,482)</b>	<b>(250)</b>	<b>(11,644)</b>
<b>Total comprehensive income</b>	-	-	<b>13,555</b>	<b>(6,912)</b>	-	<b>(4,482)</b>	<b>(968)</b>	<b>1,193</b>
Acquisition of non-controlling interest	-	-	(4,876)	-	-	-	(4,022)	(8,898)
Dividend declared	-	-	(7,187)	-	-	-	(72)	(7,259)
Acquisition of treasury shares	-	(1)	-	-	(441)	-	-	(442)
<b>Balance at 30 June 2016</b>	<b>3,046</b>	<b>(4)</b>	<b>62,015</b>	<b>(3,160)</b>	<b>(1,650)</b>	<b>14,395</b>	<b>19,750</b>	<b>94,392</b>

The accompanying notes are an integral part of this consolidated condensed interim financial information.



## **1 Acron Group and its Operations**

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the six months ended 30 June 2016 for Public Joint Stock Company “Acron” (the “Company” or “Acron”) and its subsidiaries (together referred to as the “Group” or “Acron Group”). The Company’s shares are traded on the Moscow and London Stock Exchange.

The Group’s principal activities include the manufacture, distribution and sale of chemical fertilisers and related by-products. The Group’s manufacturing facilities are primarily based in the Novgorod, Smolensk and Murmansk regions of Russia and also in The People’s Republic of China (the “PRC”).

The Company’s registered office is at Veliky Novgorod, 173012, Russian Federation.

The Group’s ultimate parent is Subero Associates Inc. (British Virgin Islands). As at 30 June 2016 and 31 December 2015 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

## **2 Basis of Preparation**

### **2.1 Statement of compliance**

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015.

### **2.2 Judgements and estimates**

Preparing the consolidated condensed interim financial information requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated condensed interim financial information for the six months ended 30 June 2016, significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

## **3 Significant Accounting Policies**

The accounting policies and judgments applied by the Group in this consolidated condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

## **4 Seasonality**

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertilizer application and, as a result, fertilizer purchases by farmers. However, the effect of seasonality on the Group’s revenue is partially offset by the facts that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. The seasonality does not significantly influence production, and inventory levels are adjusted for movements in demand. Seasonality does not impact the revenue or cost recognition policies of the Group.

## **5 Segment Information**

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker(s) (“CODM”) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Group.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the current segment structure of the Group:

- Acron – representing manufacturing and distribution of chemical fertilisers by PJSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by PJSC Dorogobuzh;
- Hongri Acron – representing manufacturing and distribution of chemical fertilisers by Shandong Hongri Acron Chemical Joint Stock Company Ltd.;



(in millions of Russian Roubles, except for per share amounts)

- Logistics – representing transportation and logistic services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas and domestic distribution companies of the Group;
- Mining NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining excluding NWPC - comprise mining entities JSC VPC, North Atlantic Potash Inc., and other assets in Canada being at the stage of development, exploration and evaluation;
- Investment in equity accounted investees – representing share of profit of Polish company Grupa Azoty S.A.;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit has distinctive business and risk profile.

Segment financial information is presented and reviewed by the CODM based on the IFRS and includes revenues from sales and EBITDA.

The CODM evaluates performance of each segment based on measure of operating profit including share of profit of equity accounted investees adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA). Since this term is not a standard IFRS measure Acron Group's definition of EBITDA may differ from that of other companies.

Information for the reportable segments for the six months ended 30 June 2016 is set out below:

	<b>Segment sales</b>	<b>Intersegment sales</b>	<b>External sales</b>	<b>EBITDA</b>
Acron	25,241	(22,400)	2,841	9,159
Dorogobuzh	12,952	(8,259)	4,693	4,548
Hongri Acron	4,334	-	4,334	(732)
Logistics	1,673	(1,498)	175	240
Trading	39,047	(2,110)	36,937	(368)
Mining NWPC	6,562	(4,523)	2,039	4,107
Mining excluding NWPC	-	-	-	(72)
Investment in equity accounted investees	-	-	-	1,544
Other	1,180	(1,000)	180	(18)
<b>Total</b>	<b>90,989</b>	<b>(39,790)</b>	<b>51,199</b>	<b>18,408</b>

Information for the reportable segments for the six months ended 30 June 2015 is set out below:

	<b>Segment sales</b>	<b>Intersegment sales</b>	<b>External sales</b>	<b>EBITDA</b>
Acron	24,462	(20,092)	4,370	10,508
Dorogobuzh	12,708	(10,256)	2,452	5,610
Hongri Acron	7,205	-	7,205	(196)
Logistics	1,804	(1,497)	307	407
Trading	37,115	(1,297)	35,818	325
Mining NWPC	4,358	(2,936)	1,422	2,226
Mining excluding NWPC	-	-	-	(14)
Investment in equity accounted investees	-	-	-	1,412
Other	1,162	(659)	503	(17)
<b>Total</b>	<b>88,814</b>	<b>(36,737)</b>	<b>52,077</b>	<b>20,261</b>





(in millions of Russian Roubles, except for per share amounts)

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2016	30 June 2015
Profit Before Tax	17,501	14,654
Loss on derivatives, net	308	2,267
Interest expense	2,266	1,732
(Gain)/loss on disposal of investments	(5,391)	120
Result from suspension of use of equity investee method	3,616	-
Finance income, net	(4,722)	(1,478)
<b>Operating Profit including share of profit of equity accounted investees</b>	<b>13,578</b>	<b>17,295</b>
Depreciation and amortisation	2,416	2,209
Foreign currency loss on operating activities, net	2,203	381
Legal expenses	-	320
Loss on disposal of property, plant and equipment	211	56
<b>Total consolidated EBITDA</b>	<b>18,408</b>	<b>20,261</b>

Information about geographical areas:

The geographic information below analyses the Group's revenue. In presenting the following information, segment revenue has been based on the geographic location of customers.

	Six months ended	
	30 June 2016	30 June 2015
<b>Revenue</b>		
Russia	12,069	10,743
European Union	5,641	4,318
Commonwealth of Independent States	4,369	2,212
USA and Canada	5,656	6,128
Latin America	7,232	7,460
PRC	7,976	11,619
Asia (excluding PRC)	5,398	7,732
Other regions	2,858	1,865
<b>Total</b>	<b>51,199</b>	<b>52,077</b>

Revenue from sales of chemical fertilisers accounts for 87% of total revenues (for the six months ended 30 June 2015: 87%).

There are no individual customers contributing 10% of more to the total revenues.

## 6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2016 and 31 December 2015 are detailed below.

The following turnovers and balances arise from transactions with related parties:

### i Balances with related parties

Statement of financial position caption	Note	Relationship	30 June 2016	31 December 2015
Trade receivables, gross	8	Companies under common control	9	8
Trade payables	15	Companies under common control	(7)	(4)



(in millions of Russian Roubles, except for per share amounts)

**ii Transactions with related parties**

Statement of comprehensive income caption	Relationship	Six months ended	
		30 June 2016	30 June 2015
Sales of chemical fertilisers	Companies under common control	7	6
Purchases of raw materials	Companies under common control	(32)	(30)

**7 Cash and Cash Equivalents**

	30 June 2016	31 December 2015
Cash on hand and bank balances denominated in RUB	5,022	2,910
Bank balances denominated in USD	15,556	22,883
Bank balances denominated in EUR	925	2,405
Bank balances denominated in CAD	176	66
Bank balances denominated in CHF	10	7
Bank balances denominated in PLN	16	34
Bank balances denominated in CNY	1,520	2,116
<b>Total cash and cash equivalents</b>	<b>23,225</b>	<b>30,421</b>

Cash and cash equivalents include term deposits of RUB 12,968 (31 December 2015: RUB 18,441).

The fair value of cash, cash equivalents and irrevocable deposits is equal to their carrying amount. All bank balances and term deposits are neither past due nor impaired.

**8 Accounts Receivable**

	30 June 2016	31 December 2015
Trade accounts receivable	3,390	2,851
Notes receivable	588	530
Dividend receivable	250	-
Other accounts receivable	1,105	772
Less: impairment provision	(560)	(572)
<b>Total financial assets</b>	<b>4,773</b>	<b>3,581</b>
Advances to suppliers	2,032	2,353
Value-added tax recoverable	4,558	3,375
Other taxes receivable	209	177
Less: impairment provision	(40)	(43)
<b>Total accounts receivable</b>	<b>11,532</b>	<b>9,443</b>

The fair value of accounts receivable does not differ significantly from their carrying amount.

**9 Inventories**

	30 June 2016	31 December 2015
Raw materials and spare parts	8,506	8,713
Work in progress	814	656
Finished products	6,120	8,431
	<b>15,440</b>	<b>17,800</b>

Raw materials are shown net of obsolescence provision RUB 147 (31 December 2015: RUB 129).



## 10 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	2016	2015
<b>Carrying amount at 1 January</b>	<b>84,680</b>	<b>72,552</b>
Acquisitions	7,054	6,414
Disposals	(211)	(56)
Depreciation charge	(2,550)	(2,452)
Currency translation difference	(1,392)	(501)
<b>Carrying amount at 30 June</b>	<b>87,581</b>	<b>75,957</b>

Included in the six months 2016 additions to assets under constructions is approximately RUB 499 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (for the six months 2015: RUB 254) at the average borrowing rate of 6.12% (for the six months 2015: 4.25%).

At 30 June 2016, buildings, machinery and equipment and construction in progress with a net book value of RUB 2,185 (31 December 2015: RUB 2,712) had been pledged as security for long-term loans (Note 16).

## 11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 June 2016	31 December 2015
Apatite-nepheline deposits (production / development stage)	845	848
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	4,326	4,454
License and expenditure on deposit in exploration and evaluation stage	469	469
Asset related to the discharge of license obligations	250	250
	<b>32,101</b>	<b>32,232</b>

## 12 Available-for-Sale Investments

	2016	2015
<b>Carrying amount at 1 January</b>	<b>4,956</b>	<b>3,632</b>
Fair value (loss)/gain recognised directly in OCI	(3,160)	626
Reclassification from other categories	25,783	-
Additions	694	-
Disposals	(5,833)	-
Currency translation difference	(602)	1
<b>Carrying amount at 30 June</b>	<b>21,838</b>	<b>4,259</b>

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2016	31 December 2015
<b>Current</b>				
PJSC Uralkali	Potash mining	Russia	-	4,808
<b>Total current</b>			<b>-</b>	<b>4,808</b>
<b>Non-current</b>				
Grupa Azoty S.A.	Fertilisers manufacture	Poland	21,697	-
Other			141	148
<b>Total non-current</b>			<b>21,838</b>	<b>148</b>
<b>Total</b>			<b>21,838</b>	<b>4,956</b>

In March 2016 the Group sold its stake in PJSC Uralkali to third parties.

## 13 Investment in Equity Accounted Investees

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of the associate.



(in millions of Russian Roubles, except for per share amounts)

	2016	2015
<b>Balance at 1 January</b>	<b>31,263</b>	<b>24,695</b>
Share of:		
– Profit from continuing operations	1,544	1,412
– OCI	(150)	159
Currency translation difference comprising in OCI	(3,255)	(2,489)
Disposal of shares	(3)	-
Result from suspension of use of equity investee method	(3,616)	-
Reclassification to other categories	(25,783)	-
<b>Balance at 30 June</b>	<b>-</b>	<b>23,777</b>

The Group's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

31 March 2016:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	200,509	67,075	119,835	5,850	20,00%	Poland

31 March 2015:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	158,170	52,855	48,792	5,075	20,00%	Poland

In the second quarter of 2016 the Group reduced its ownership in the company Grupa Azoty S.A to 19.82%, and discontinued the use of the equity investee method.

#### 14 Derivative Financial Assets and Liabilities

In April 2016 PJSC Acron exercised call option and redeemed share of the Eurasian Development Bank in a subsidiary JSC VPC in the amount of 9.1% for RUB 8,952, increasing its ownership to 60.1%. Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. At 30 June 2016 the liabilities comprise put options giving the non-controlling shareholders a right to sell their 39.9% of JSC VPC shares back to the Group in 2017-2024. At 30 June 2016 the assets comprise call options, which give the Group a right to buy 19.9% of JSC VPC shares from the non-controlling shareholders till 2018.

	30 June 2016			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,092	(8,867)	-
	-	<b>7,092</b>	<b>(8,867)</b>	-

	31 December 2015			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,816	(9,282)	-
	-	<b>7,816</b>	<b>(9,282)</b>	-

#### 15 Accounts Payable

	30 June 2016	31 December 2015
Trade accounts payable	4,983	5,632
Dividend payable	15	15
<b>Total financial payables</b>	<b>4,998</b>	<b>5,647</b>
Payables to employees	1,346	1,112
Accrued liabilities and other creditors	1,693	1,676
<b>Total accounts payable and accrued expenses</b>	<b>8,037</b>	<b>8,435</b>



(in millions of Russian Roubles, except for per share amounts)

## 16 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2016	31 December 2015
Bonds issued	13,771	13,752
Credit lines	6,455	6,500
Term loans	62,476	61,354
	<b>82,702</b>	<b>81,606</b>

The Group's borrowings mature as follows:

	30 June 2016	31 December 2015
Borrowings due:		
- within 1 year	40,242	12,995
- between 1 and 5 years	42,254	67,989
- after 5 years	206	622
	<b>82,702</b>	<b>81,606</b>

The Group's borrowings are denominated in currencies as follows:

	30 June 2016	31 December 2015
Borrowings denominated in:		
- RUB	27,089	21,852
- EUR	4,361	5,261
- USD	47,722	49,849
- CNY	3,530	4,644
	<b>82,702</b>	<b>81,606</b>

Bank loans denominated in CNY in total amount of RUB 1,760 (31 December 2015: RUB 2,190) are collateralised by buildings, machinery and equipment with a net book value of RUB 2,185 (31 December 2015: RUB 2,712) (Note 10) and land use right with a net book value of RUB 403 (31 December 2015: RUB 481). The loans obtained from banks in PRC are secured by guarantees issued by third parties totalled RUB 1,576 (31 December 2015: RUB 2,222).

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 30 June 2016 unused credit lines available under the long-term loan facilities were RUB 28,864 (31 December 2015: RUB 24,400). Terms and conditions of unused credit lines correspond to the terms and conditions of other borrowings.

The details of the significant short-term loan balances are summarised below:

	30 June 2016	31 December 2015
<b>Short-term borrowings</b>		
<b>RUB</b>		
Bonds with fixed interest rate of 11.6% per annum	10,000	3,752
Loans with fixed interest rate of 11% to 14% per annum	6,118	2,000
Loans with floating interest key rate of CBR+1.4% per annum	1,600	1,600
<b>EUR</b>		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	299	582
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	251	-
Loans with fixed interest rate of 5.27% per annum	225	250
<b>USD</b>		
Loans with fixed interest rate of 4.75% to 5.61% per annum	2,736	189
Loans with floating interest rate of 3M LIBOR+3.7% per annum to 3M LIBOR+4.85% per annum	10,924	-
Loans with floating interest rate of 1M LIBOR+4.6% per annum	4,559	-
<b>CNY</b>		
Loans with fixed interest rate of 5.22% to 7.5% per annum	3,530	4,622
<b>Total short-term borrowings</b>	<b>40,242</b>	<b>12,995</b>



The details of the significant long-term loan balances are summarised below:

	30 June 2016	31 December 2015
<b>Long-term borrowings</b>		
<b>RUB</b>		
Bonds with fixed interest rate of 10.2% per annum	3,771	10,000
Loans with fixed interest rate of 13.7% to 14% per annum	-	4,000
Loans with floating interest rate of key rate of CBR+1.5% per annum to key rate of CBR+2.5% per annum	5,600	500
<b>EUR</b>		
Loans with floating interest rate of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	1,486	3,802
Loans with floating interest rate of 3M EURIBOR+1.35% to 3M EURIBOR+1.7% per annum	1,652	-
Loans with fixed interest rate of 5.27% per annum	448	627
<b>USD</b>		
Loans with fixed interest rate of 5.11% to 5.61% per annum	327	464
Loans with floating interest rate of 1M LIBOR+4.6% per annum	29,176	49,196
<b>CNY</b>		
Loans with fixed interest rate of 5.52% to 7.21% per annum	-	22
<b>Total long-term borrowings</b>	<b>42,460</b>	<b>68,611</b>

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, debt/EBITDA ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans.

## 17 Capital and Reserves

The total authorised number of ordinary shares is 40,534,000 (31 December 2015: 40,534,000) with a par value of RUB 5 per shares. All authorised shares have been issued and fully paid.

Total number of outstanding shares comprises (par value is expressed in roubles per one share):

	Number of outstanding ordinary shares	Number of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
<b>31 December 2014</b>	<b>40,534,000</b>	<b>(171,000)</b>	<b>3,046</b>	<b>(1)</b>	<b>3,045</b>
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(423,000)	-	(2)	(2)
<b>30 June 2015</b>	<b>40,534,000</b>	<b>(594,000)</b>	<b>3,046</b>	<b>(3)</b>	<b>3,043</b>
<b>31 December 2015</b>	<b>40,534,000</b>	<b>(601,880)</b>	<b>3,046</b>	<b>(3)</b>	<b>3,043</b>
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(124,328)	-	(1)	(1)
<b>30 June 2016</b>	<b>40,534,000</b>	<b>(726,208)</b>	<b>3,046</b>	<b>(4)</b>	<b>3,042</b>

## 18 Finance Income / (Costs), net

	Six months ended		Three months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Interest income from loans provided and term deposits	153	478	106	187
Other finance income, net	-	-	62	-
Commissions expense	(272)	(157)	(137)	(74)
Dividend income	250	-	250	-
Foreign exchange gain on financial transactions	10,597	22,125	5,106	8,151
Foreign exchange loss on financial transactions	(6,006)	(20,968)	(4,052)	(4,966)
	<b>4,722</b>	<b>1,478</b>	<b>1,335</b>	<b>3,298</b>



## 19 Other Operating (Expenses) / Income, net

	Six months ended		Three months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Charity expenses	(201)	(157)	(143)	(75)
Other operating expenses, net	(333)	(518)	(236)	(476)
Foreign exchange gain on operating activities	3,537	7,841	812	2,301
Foreign exchange loss on operating activities	(5,740)	(8,222)	(1,354)	(3,348)
	<b>(2,737)</b>	<b>(1,056)</b>	<b>(921)</b>	<b>(1,598)</b>

## 20 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. At 30 June 2016 the shares of the Company have dilutive potential related right to settle in own shares. The dilution effect do not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share.

	Six months ended	
	30 June 2016	30 June 2015
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(664,044)	(423,000)
<b>Weighted average number of shares outstanding (basic)</b>	<b>39,869,956</b>	<b>40,111,000</b>
Effect of settlement in own equity instruments	-	-
<b>Weighted average number of shares outstanding (diluted)</b>	<b>39,869,956</b>	<b>40,111,000</b>
Profit attributable to the equity holders of the Company	13,555	11,841
<b>Basic earnings per share (in Russian roubles)</b>	<b>340.21</b>	<b>295.21</b>
<b>Diluted earnings per share (in Russian roubles)</b>	<b>340.21</b>	<b>295.21</b>

## 21 Income Taxes

	Six months ended		Three months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Income tax expense – current	3,840	2,516	1,004	1,550
Deferred tax charge – origination and reversal of temporary differences	824	75	458	(126)
<b>Income tax charge</b>	<b>4,664</b>	<b>2,591</b>	<b>1,462</b>	<b>1,424</b>

## 22 Contingencies, Commitments and Operating Risks

### i Contractual commitments and guarantees

As at 30 June 2016 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 5,345 (31 December 2015: RUB 12,563).

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 30 June 2016 and 31 December 2015, the Group has issued financial guarantees to third parties in respect of borrowings by the Group's counterparties in the amount of RUB 2,979 and RUB 3,504 respectively. No amount has been accrued in this consolidated condensed interim financial information for the Group's obligation under these guarantees as no outflows are expected from such guarantees.

### ii Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims.

### iii Operating environment of the Group

#### **Russian Federation**

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union,





the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

#### **People's Republic of China**

The Group's major subsidiary, Shandong Hongri Acron Chemical Joint Stock Company Ltd., is located in the PRC. The PRC economic and legal system is not fully developed and has inherent uncertainties. The economy of the PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for the PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in the PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

#### **iv Taxation contingencies**

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 376-Federal law introduced changes aimed at regulating tax consequences of transactions with foreign companies and their activities. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts as transfer pricing tax audits under new rules started recently, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.





These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to recent reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 30 June 2016 no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2015: no provision). Management believes that all provisions were recognised in respect of other possible tax risks.

#### **v Environmental matters**

The environmental regulation in the Russian Federation continues to evolve. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

### **23 Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial instruments carried at fair value.** Trading, Available-for-sale investments and derivatives are carried in the consolidated statement of financial position at their fair value.

This Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 13, Fair values.

The level in the fair value hierarchy into which the fair values are categorised as one of the three categories:

- Level 1: quoted price in an active market;
- Level 2: valuation technique with inputs observable in markets;
- Level 3: valuation technique with significant non-observable inputs.

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 21,980 (31 December 2015: RUB 5,128).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 13,898 (31 December 2015: RUB 13,781).

Fair values of cross-currency swaps was determined based on valuation technique with inputs observable in markets and was included in level 2.

The fair value of the call/put options on shares of JSC VPC was determined based on the Black-Scholes Option Pricing Model with the adjustments and using of unobservable inputs, and included in level 3. Determination method is equal to applied in 2015.

**Financial assets carried at amortised cost.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and loans receivable approximate fair values.

**Liabilities carried at amortised cost.** The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 30 June 2016 the fair value of borrowings was RUB 317 higher than their carrying amounts. At 31 December 2015 the fair value of borrowings was RUB 666 lower than their carrying amounts.

The fair value of payables does not differ significantly from their carrying amounts.



## **24 Subsequent Events**

On 18 August 2016 the Board of Directors of PJSC "Acron" recommended the extraordinary general meeting of shareholders to approve the payment of dividend for the six months 2016 in the amount of 155 rubles per ordinary share.

In August 2016, the Group sold one of the subsidiaries owned 50.5% stake in the Chinese company "Hongri Acron" to third-party.

PJSC "Acron" launched the new "Ammonia-4" unit with production capacity of 700 thousand tons per year.